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SUBJECT: PARLIAMENT PASSES A BEVY OF BILLS BEFORE THE NEW YEAR

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11. (U) Summary: The Icelandic Parliament worked diligently in the days leading up to its holiday recess and passed a number of key pieces of legislation. Over the weekend of December 18-20, parliament passed 18 bills including a new environmental tax and amendments to the General Penal Code that clarify Iceland's definition of trafficking in persons. On December 21, parliament passed a heavily debated tax bill that is expected to generate an additional ISK 44 billion (\$343.2 million) in revenue in 2010. The following day, parliament passed a controversial budget bill that slashes government services and social spending. The parliament then adjourned for a short holiday recess. It intends to reconvene next week and may vote on the Icesave bill at that time. End Summary.

12. (U) The Icelandic Parliament worked diligently over the weekend of December 18-20 and passed an astounding 18 bills in the two-day period. The most notable bills include a new environmental and resource tax which will add a charge of ISK 0.12 (0.0009 cents) per each kWh of energy sold and a two percent charge to the retail price of hot water. The government will also assess an ISK 2.60 to ISK 2.90 (2 cents) carbon tax on each liter of diesel oil, gasoline and jet fuel. In addition, the legislature passed amendments regarding the contract to build an aluminum smelter in Helguvik, Southwestern Iceland, shortening the duration of the contract to 20 years and limiting tax exemptions. Parliament also amended provisions on garnishment of assets, terrorism, organized crime, human trafficking and money laundering in the General Penal Code. The Icelandic definition of trafficking in persons now mirrors the Palermo Protocol to the UN Convention against Transnational Organized Crime and thus clears the road for the protocol's ratification by parliament early next year.

13. (U) The tax bill passed by parliament on December 21 is expected to generate an additional ISK 44 billion (\$343.2 million) in revenue in 2010. Among the increases, the VAT will be raised by one percentage point to 25.5 percent, making it the highest VAT in Europe. Parliament also expanded the personal income tax structure to three tiers: annual income less than ISK 2.4 million (\$18,700) will be taxed at 24.1 percent; income of ISK 2.4 - 7.8 million (\$18,700 - \$60,800) will be taxed at 27 percent; and, income over 7.8 million ISK (\$60,800) at 33 percent. The capital gains tax will increase from 10 to 18 percent, and corporate taxes from 15 to 18 percent. Other taxes expected to affect consumers' wallets include: an average 14 percent tax on sugary products and restaurant activity; a 10 increase in automobile fees; and a 10 percent increase in alcohol and tobacco fees.

¶4. (U) Parliament passed the 2010 budget on December 22 with 33 votes for the bill and 27 abstentions. No member of the opposition voted in favor of the budgets passage. Kristjan Juliusson, an MP in the Independence Party, criticized the coalition for having "given up" on the budget and said the government should have identified more cost saving measures. Press reports, however, quote Finance Minister Steingrímur Sigfússon as saying that the budget results are very acceptable given the limited possibilities. With the passage of the 2010 budget, the government projects a ISK 98.9 billion (\$770 million) deficit for 2010, a balanced budget for 2011 and a surplus by 2013.

¶5. (U) Parliament intends to reconvene next week amid rumors that it will vote on the Icesave bill before the New Year. These rumors became more credible when the budget committee voted the Icesave bill out of committee on December 22, effectively clearing the way for a final vote. The Icesave bill has been stalled in parliament for almost two months as the opposition, using filibustering techniques, delayed discussion on the controversial topic. According to media reports, the opposition would like even more discussion of the topic; however, it appears as though the coalition government does not want the issue to linger into the new year and intends to put an end to it now.

¶6. (SBU) Comment: The passage of so many bills, of which a large number are quite controversial, in such a quick and decisive manner signifies a change in the tactics of the ruling coalition. Up until now, the coalition has allowed the opposition to have its say, even though it meant dragging out issues for months on end and delaying the nation's economic recovery. It is unclear whether the coalition has the votes to pass the Icesave agreement next week; however, the coalition appears to want to resolve many of the thorniest issues from 2009 and start with a fresh slate in the new year. End comment.

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